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DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
901 NORTH STUART STREET
ARLINGTON VA 22203-1837



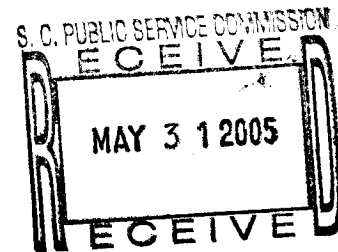
REPLY TO
ATTENTION OF

27 May 2005

Regulatory Law Office
U 4120

SUBJECT: In the Matter of the Application of South Carolina Electric & Gas
Company for Adjustments in the Company's Natural Gas Rate Schedules
and Tariffs, S.C. PSC Docket No. 2005-113-G

Hon. Charles Terreni
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive, Suite 100 (29210)
P.O. Drawer 11649
Columbia, SC 29211



Dear Mr. Terreni:

Enclosed for filing in the above styled matter are the original and fifteen copies of the Petition for Leave to Intervene on behalf of the consumer interest of the United States Department of Defense and the other affected Federal Executive Agencies (hereinafter collectively called "DOD"). Enclosed find an electronic copy (a computer diskette) of this document in MicroSoft Word.

Copies of this document are being sent in accord with the Certificate of Service. Inquiries to this office regarding this proceeding should be directed to the undersigned at (703) 696-1646. Thank you for your cooperation and assistance in this matter.

Sincerely,

David A. McCormick
General Attorney
Regulatory Law Office

CF: See: Certificate of Service



BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

IN RE:

Application of South Carolina Electric & Gas)
Company for Adjustments in the Company's)
Natural Gas Rate Schedules and Tariffs)

Docket No. 2005-113-G

PETITION FOR LEAVE TO INTERVENE

Robert N. Kittel
Chief
Regulatory Law Office
U.S. Army Legal Services Agency
Department of the Army (JALS-RL 4134)
901 N. Stuart Street, Room 713
Arlington, VA 22203-1837

For

THE DEPARTMENT OF DEFENSE
AND FEDERAL EXECUTIVE AGENCIES

David A. McCormick
Attorney

Of Counsel

Dated: 27 MAY 2005
Due: 15 JULY 2005

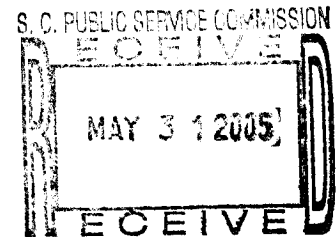
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Natural Gas Rate Schedules and Tariffs)

Docket No. 2005-113-G

PETITION FOR LEAVE TO INTERVENE



The Secretary of Defense, through duly authorized counsel, on behalf of the consumer interest of the United States Department of Defense and other affected Executive Agencies (collectively referred to herein as "DOD"), requests leave to intervene in the above-styled proceeding. As grounds for this petition and protest, your petitioner states:

I.

That he is duly authorized by law to make and file this pleading.¹

II.

That the name, address, telephone and facsimile copier numbers of the person to whom communications in regard to this pleading should be addressed are:

¹ The Secretary of Defense has been delegated authority by the General Services Administration to represent, through Department of the Army counsel, the consumer interest of all the Federal Executive Agencies in this proceeding under 40 U.S.C.A. 481(a)(4) and 486(d) in matters related to the South Carolina Electric and Gas Company. See also: 48 CFR § 41.101.

David A. McCormick²
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III.

That the interest of DOD is such that it cannot be adequately protected by any other party. That the interest of DOD, as a rate paying customer, is different than other large gas utility customers in this proceeding is manifest as is stated below:

- * South Carolina Electric and Gas Company (SCE&G) filed a proposed increase in base rates for gas service on or about April 26, 2005 to increase jurisdictional revenues about \$28,482,731, annually.³ The application indicates the proposed increased rates would be for gas services billed on and after November 1, 2005.
- * The United States maintains certain military installations and civilian activities within the State of South Carolina, a number of which obtain gas utility service from the SCE&G. Among the major federal facilities receiving gas utility service from SCE&G are Fort Jackson, Charleston and Shaw Air Force Bases and numerous other offices of the civilian Executive Agencies.
- * Total gas billings to the Fort Jackson, alone, in Fiscal Year 2003 exceeded \$3.2 million, annually, on the SCE&G system. These gas billings involve both firm and interruptible gas utility service. Smaller federal installations and federal buildings are customers with usage proportional to the federal activity involved.
- * The bulk of the gas utility service procured by major federal installations is received from high pressure mains for distribution on government owned gas distribution plant which may not be a concern to other large gas utility customers.

² The undersigned is admitted to practice in Pennsylvania and the District of Columbia and various federal courts. The undersigned has associated himself for this proceeding Charles D. Shults, Esquire (a South Carolina attorney) in accord with the PSC Rule 103-804 (S) (1) (b). Mr. Shults business address is on the Certificate of Service appended hereunto.

³ Dollar figure from Application of SCE&G dated 26 APR 2005, page 4 para. 8, and Application Exhibit D-II page 2 column 3, line 1 and Exhibit D-III, page 1, line 8.

- * Federal installations comply with the conservation provisions of Executive Order 13123 dated June 3, 1999, published at 64 Federal Register 30851, June 8, 1999. Other SCE&G customers would not be bound by that directive, or by statutes such as 10 U.S.C.A. § 2865 et seq..

- * The DOD installations often have a moderate load profile similar to a municipal utility including hospital, school and residential uses, as well as federal offices and barracks for personnel of the armed of services. Given the different load and usage characteristics of DOD mentioned above, DOD has a different interest in many class cost allocation and rate design issues than other large customers. At Fort Jackson, DOD buys significant gas service on interruptible and transportation rates. DOD also buys significant amounts of firm gas service. While the average increase in revenues for all customers proposed by SCE&G is 7.09 percent, but some rate schedules are proposed to get a somewhat larger average rate increase. DOD has been advised that the increase proposed by SCE&G for the large firm customers is **8.13** percent. DOD has not had time to fully assess whether the proposed SCE&G revenue allocation is fair and equitable.

- * Rate design and class revenue allocation will likely be issues of concern (*vis a vis* other gas service consumer interests, and perhaps SCE&G) to the consumer interest of DOD. SCE&G is proposing to maintain portions of its interruptible sales program (ISPR) tariff and proposing changes to some other aspects of the program. DOD has not had sufficient time to fully assess the impact of the changes. It would be premature for DOD to take a position on those proposals. In past proceedings, DOD has found itself supporting some SCE&G proposed allocations of class revenue responsibility. In this case, SCE&G proposes an average increase for large commercial and industrial customers of **8.13** percent. It would be premature for DOD to take a position on this issue at this time. However, it is likely DOD will take some position on the perceived fairness of class revenue allocations during the proceeding. In the past DOD witnesses have had differences in expert opinion with the expert witnesses of the some other parties on class cost of service and rate design issues. At this juncture it would be speculative to limit the rate design and class cost allocation issues which parties other than SCE&G may raise in the proceeding. However, DOD reserves a right to take a position to protect its consumer interest on any rate design, class cost allocation and class revenue allocation issues.

- * Along with many other customers, DOD has an interest in assuring that the level of revenue requirements for regulated services granted to SCE&G does

not exceed reasonable levels. DOD is still reviewing the SCE&G filing as it relates to overall revenue requirement issues. SCE&G's proposed of 11.75 percent return on common equity in that filing could be an issue. SCE&G has long had a weather normalization clause which should tend to reduce some financial risk and the cost of capital. It is probably premature to make specific or precipitous comments on a specific required equity rate of return without some further study. DOD was a party and participated actively in prior gas utility proceedings such as Docket No. 89-245-G.

IV.

That the intervention of DOD will neither unduly broaden the issues nor unduly delay the proceeding.

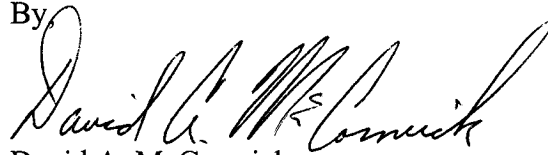
V.

DOD may present witnesses or other evidence that may assist the Commission in its deliberations in this proceeding. DOD has not reviewed of the testimony that SCE&G may have to support its proposal, as filed. However, the undersigned counsel has been advised that DOD's energy managers are considering sponsoring testimony of an expert witness. The undersigned counsel has not been notified of any final decision as to expert witnesses. The scope of DOD expert witness testimony is uncertain at this juncture. It is likely that if any expert testimony is sponsored it will, at the very least, touch upon those issues identified above. Prior to a hearing it is possible that stipulations may narrow issues. After review of the SCE&G filings and perhaps responses to any discovery allowed of SCE&G's direct case, DOD may be better able to articulate details of issues DOD witness may address. DOD reserves the right to augment the above listing of issues of rate design and rate of return after review of the testimony of SCE&G witnesses is filed and responses to discovery have been analyzed.

WHEREFORE, your petitioner prays for leave to intervene and be treated as a party hereto with right to have notice of and appear at hearings for the taking of testimony,

produce and cross examine witnesses, and be heard through counsel, upon brief and at oral argument, if oral argument is granted.

By

A handwritten signature in black ink, reading "David A. McCormick". The signature is fluid and cursive, with the first name "David" and last name "McCormick" clearly legible.

David A. McCormick
Attorney

Regulatory Law Office
U.S. Army Legal Services Agency
Department of the Army (JALS-RL)
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Arlington, VA 22203-1837

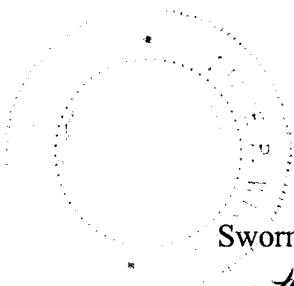
For

THE DEPARTMENT OF DEFENSE
AND FEDERAL EXECUTIVES AGENCIES

VERIFICATION

State of Virginia)
)
) SS.
)
County of Arlington)

David A. McCormick, being duly sworn according to law, deposes and says that he is the assigned trial attorney for the consumer interest of the United States Department of Defense and other affected Federal Executive Agencies (hereinafter "DOD") in South Carolina Public Service Commission Docket No. 2005-113-G and that he has read the foregoing document, that the facts set forth therein are true and correct, to the best of his knowledge, information and belief.



David A. McCormick

Sworn and subscribed before me this

27th day of May, 2005

My Commission expires April 30, 2008

Diane R. Winter
Notary Public

CERTIFICATE OF SERVICE

I certify that I have caused a copy of the foregoing document in Docket No. 2005-113-G to be sent this day by postage prepaid, properly addressed, first class U.S. Mail (or by private courier) to the counsel and parties named below:

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LEGAL STAFF
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CHARLES D. SHULTS, ESQUIRE
OFFICE OF THE STAFF JUDGE ADVOCATE
U.S. ARMY TRAINING CENTER
ATTN: ATZJ-SJA
9475 KERSHAW ROAD
FORT JACKSON, SC 29207-5000
(803) 751-7323

Dated this 27th day of May, 2005 at Arlington County, Virginia.



David H. McCormick